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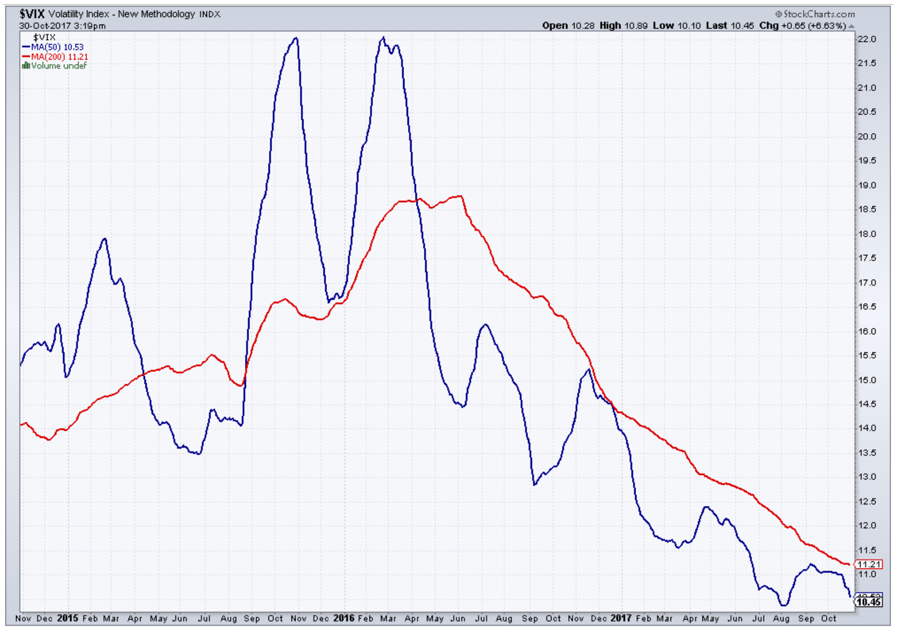
Monthly Newsletter
November 2017

COMMENTARY

On Monday October 23, the S&P 500 created a new record for the longest streak without a 3% drawdown. The previous record was 241 trading days that ended back in January 1996. 2017 has been like riding a ferris wheel at the local city festival: a little nervous here or there, but for the most part, pretty smooth. We've had a few small pullbacks on the S&P 500 (most likely profit taking), but it has continued its movement toward new all-time highs. When stepping back and looking to a time when markets felt like we were on one of those crazy, is-this-thing-going-to-break roller coasters, we have to look back to the summer of 2015 and early 2016. Concerns on a slowdown from China, oil prices falling from above $100/barrel, and possible rate hikes from the Fed to a fragile US economy had investors very nervous. We also saw markets react to Brexit and the US election, but the market ended up recovering much more quickly than most expected. The chart to the left is the 50 day (blue) and 200 day (red) moving average of the CBOE Volatility Index (VIX), which is often referred to as the fear index. From the chart, it is easy to tell that after oil bottomed out in late 2015/early 2016, fear has continued to follow. So why bring all of this up now? Well, we're starting to get the feeling that there is a shift in the sentiment towards the market. For much of the market rally, we've had cautious investors staying invested but always looking for the next correction or crash, and many media outlets are calling this a "climbing the wall of worry" for stocks. This has allowed the market to stay warm and continue to grind higher without market participants getting overly optimistic and, in turn, create an overheating of the market. But there is a sense that the sentiment is shifting a little bit, which is completely natural as through human nature (via the availability bias), people tend to heavily weigh their judgments toward more recent information, making new opinions biased toward that latest news. Given that the market has been a smooth ride recently, investors are starting to get used to it as it is the most recent information. With the lack of recent market pullbacks and lack of fear, we are starting to get



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ECONOMIC HIGHLIGHTS

S&P 500	2,575.26
DJIA	23,377.24
NASDAQ	6,727.67
OIL	$54.38/barrel
GOLD	$1,270.50/ounce
10-YEAR TREASURY YIELD	2.38%
UNEMPLOYMENT	4.2%
GDP	3.0% (Q3)
CONSUMER PRICE INDEX (CPI)	+0.5% / 12 month change: +2.2%
CORE CPI	+0.1% / 12 month change: +1.7%

Gross Domestic Product (GDP): Third quarter GDP came in above the high end of the consensus range, reporting a 3.0% percent annualized rate. Consumer spending continues to be the main driver of the U.S. economy.

European Central Bank: The ECB announced a cut in its bond-buying economic stimulus program from the currently 60 billion euros purchases per month to 30 billion euros. A sign the ECB sees strength in the Euro zone, but this seems a little quick as the Euro zone is still behind the U.S. economy and the Fed just made a similar announcement to reducing their budget.

Inflation: The sad face continues to be inflation as core inflation (food and gas) is lackluster. Core personal consumption expenditure (PCE) of 1.3% year-over-year growth is far below the Fed's target rate of 2.0%.

(cont'd.) the sense that the market is getting complacent. This isn't saying we are doomed for a massive correction tomorrow; we believe we are in a secular and cyclically bull market. The economic data points continue to be strong, and markets continue to make higher highs and higher lows (positive bullish trend), but the shifting sentiment we are starting to see is something we need to be mindful of as we continue to move later and later in this economic cycle. Markets do not end due to old age, but rather when there is an imbalance in the economy, and we do not see any imbalances right now.

Overall, the long-term view of the economy is strong, with many indicators pointing to a bullish economy and strong stock market. An improving economy and strong balance sheets for U.S. consumers and businesses should continue to drive the economy forward, which should lead to an increase in investors' risk appetite. Here in the U.S. we are seeing healthy rotations in the stock market between style, size, and sector. This action speaks to how strong the current bull market is. International Equities have had a nice run this year as investors looked past the possible Brexit downside. Brexit talks have been very quiet in the news, but we are starting to see some blips here and there. Time is ticking on talks, and we are looking for indications that we'll see a quality agreement. Emerging Markets have benefited greatly from a falling U.S. dollar and commodities rally, but the U.S. dollar is finding support. We really like emerging markets, as we have positioning in EM equity and bonds, but we're not ready to increase exposure at the moment. Over the last two months we seen the 10-Year US Treasury Yield jump from the intraday low of 2.03% on September 7 and close at 2.38%, a rally of (17.24%) over that timeframe. A raising 10-Year Yield is beneficial to our fixed income side of our portfolio as we have continued to keep our duration low. Our research team is constantly evaluating our products and tactical position inside both our fixed income portfolio and equity portfolio, looking both at the larger trend and short-term opportunities. With daily monitoring to accounts on an individual basis, we continue to rebalance accounts when they fall too far from their equity-to-fixed income ratio.

MARKET TRACKER

Index	3 Mo	1 Yr	3 Yr	5 Yr
S & P 500	4.76	23.63	10.77	15.18
MSCI EAFE	4.07	24.01	6.58	9.01
BARCAP AGG BOND	0.47	0.90	2.40	2.04

Data as of 10/31/2017. Investments cannot be made directly into an index.

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